

STATEMENT OF CONSIDERATIONS

REQUEST BY NISOURCE ENERGY TECHNOLOGIES, INC. (NISOURCE)
FOR AN ADVANCED WAIVER OF DOMESTIC AND FOREIGN PATENT
RIGHTS UNDER SUBCONTRACT NO. NAD-1-30605-10 WITH MIDWEST
RESEARCH INSTITUTE(MRI) UNDER DOE CONTRACT NO. DE-AC36-
99GO10337, CH-1072, W(A)-01-025

The Petitioner, NiSource Energy Technologies, Inc. (NiSource) , has requested a waiver of domestic and foreign patent rights for all subject inventions under its Subcontract No. NAD-1-30605-10 with the Midwest Research Institute (MRI) under MRI's DOE Contract No. DE-AC36-99GO10337, for management and operation of the National Renewable Energy Laboratory (NREL). During negotiations with DOE Patent Counsel, subsequent to filing its waiver petition, it was agreed that the Petitioner's request should extend to subject inventions of both its own employees and those of its subcontractors, except subcontractors eligible to retain title to inventions pursuant to P.L. 96-517, as amended, and National Laboratories. This approach is fully consistent with DOE's programmatic expectations since it enables the parties under the agreement to allocate patent rights on the basis of cost sharing as well as other equities among the parties.

The work under this subcontract is sponsored by the DOE Office of Power Technologies under the Department's Distributed Power Program (DPP) which is providing assistance for research and development to advance distributed power development, deployment and integration. As brought out in the Petitioner's response to question 2 of the attached copy of its waiver petition, NiSource's long-term goal is to design ways to extend distributed power (DP) generation into the physical design and controls of a building itself. NiSource expects to evaluate grid-connected and aggregated DP systems using several technologies with dynamic optimization and control of energy use to identify regulatory, integration and interconnection issues. The resulting data should identify a range of issues for integrated distribution generation in order to determine solutions for a range of power users, from small industries to residences.

The total cost of this subcontract is expected to be about \$2,538,000, of which NiSource is contributing \$1,187,100 or about 46 percent of the total cost of the agreement. The subcontract will extend over a three year period. It is to be incrementally funded in three phases on a yearly basis. In the first phase, NiSource is committed to develop and deploy 3-5 DP systems (e.g., microturbines, fuel cells, photovoltaics) in residential, commercial and light industrial applications. Thereafter, in the two subsequent phases, NiSource will study the design, functionality and operation of the systems to identify and analyze the technical, institutional and regulatory issues associated with the deployment and operation of DP technologies, including issues relative to interconnection with the utility grid, operation of aggregated systems, and interface with local and regional control areas.

The Petitioner is clearly competent in the field of technology relating to this agreement as demonstrated in the Petitioner's response to questions 5 through 7 in its waiver petition. Considering the Petitioner's technical expertise, established market position, and significant investment in this technology, including substantial cost sharing under this agreement, it is


reasonable to conclude that the Petitioner will continue to develop and ultimately commercialize the technology arising from this agreement.

This advance waiver of the Government's rights in inventions is subject to the usual advanced patent waiver and background data licensing provisions. The terms of the advanced patent waiver include the usual Government license, march-in rights, and preference for U.S. industry provisions set out in 35 U.S.C. 202-204. The advance patent waiver also includes the attached U.S. Competitiveness clause (paragraph t) which requires products embodying any waived invention or produced through the use of any waived invention be manufactured substantially in the United States unless the participant can show to the satisfaction of DOE that it is not commercially feasible to do so. The Contractor further agrees to make the above condition binding on any assignee or licensee or any entity otherwise acquiring rights to any waived invention, including subsequent assignees or licensees. Should the Contractor or other such entity receiving rights in any waived invention undergo a change in ownership amounting to a controlling interest, then the waiver, assignment, license, or other transfer of rights in the waived invention is suspended until approved in writing by DOE.

In addition to the above, all subcontractors under this agreement, other than subcontractors who are domestic small business or non-profit organizations under P.L. 96-517, as amended, or National Laboratories, shall give DOE written notice of their acceptance of the terms and conditions of this waiver prior to entering into any contract under this agreement. Except as otherwise specifically approved by Patent Counsel, a subcontractor's acceptance of contract under this agreement, regardless of tier, shall constitute the subcontractor's notice to DOE and its acceptance of the terms and conditions of this waiver.

The grant of this waiver is not expected to result in adverse effects on competition or market concentration. Rather the waiver should enhance competition and growth of the technology in the United States. DOE has the right to require reports of the utilization or the efforts at utilization that are being made for the waived inventions. If a participant which has obtained title is not making reasonable efforts to utilize a waived invention, DOE can exercise its march-in rights and require licensing of the background inventions and data.

Considering the foregoing, and in view of the statutory objectives to be obtained and the factors to be considered under DOE's statutory waiver policy, all of which has been considered, it has been determined that this waiver as set forth above will best serve the interest of the United States and the general public. It is recommended that the waiver be granted, providing NiSource maintains at least 46 percent cost sharing, in aggregate, over this and subsequent phases of this agreement.


Thomas G. Anderson
for Thomas G. Anderson
Assistant Chief Counsel
Intellectual Property Law Division

Date: September 18, 2001

Based upon the foregoing Statement of Considerations and representations in the attached waiver petition, it is determined that the interests of the United States and the general public will best be served by a waiver of patent rights of the scope described above, and therefore the waiver is granted. This waiver will not apply to any modification or extension of the contract, where through such modification or extension, the purpose, scope or cost of the contract has been substantially altered.

CONCURRENCE:

[Redacted signature]

Patricia A. Hoffman, Director
Office of Power Delivery Systems
EE-16

Date: 4/19/02

APPROVAL:

[Redacted signature]

Paul A. Gottlieb
Assistant General Counsel for Technology
Transfer and Intellectual Property, GC-62

Date: 4-22-02

U.S. COMPETITIVENESS CLAUSE**(f) U. S. COMPETITIVENESS**

The Contractor agrees that any products embodying any waived invention or produced through the use of any waived invention will be manufactured substantially in the United States unless the Contractor can show to the satisfaction of the DOE that it is not commercially feasible to do so. In the event the DOE agrees to foreign manufacture, there will be a requirement that the Government's support of the technology be recognized in some appropriate manner, e.g., recoupment of the Government's investment, etc. The Contractor agrees that it will not license, assign or otherwise transfer any waived invention to any entity unless that entity agrees to these same requirements. Should the Contractor or other such entity receiving rights in the invention undergo a change in ownership amounting to a controlling interest, then the waiver, assignment, license, or other transfer of rights in the waived invention is suspended until approved in writing by the DOE.

WAIVER ACTION - ABSTRACT

W(C)-01-025 (CH-1072)

REQUESTOR

Nisource Energy
Technologies, Inc.

CONTRACT SCOPE OF WORK

Systems integration of distributed
power for complete building
systems.

RATIONALE FOR DECISION

46% Cost Sharing

DISPOSITION